

B U S I N E S S S I T U A T I O N

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ECONOMIC GROWTH accelerated in the fourth quarter of 1998, according to the "advance" estimates of the national income and product accounts (NIPA's): Real gross domestic product (GDP) increased 5.6 percent after increasing 3.7 percent in the third quarter (chart 1 and table 1).¹ Prices increased at about the same rate as in the third quarter, as the price index for gross domestic purchases increased 0.9 percent after increasing 0.7 percent. Real disposable personal income increased 3.6 percent after increasing 3.2 percent, and the personal saving rate

(current-dollar saving as a percentage of current-dollar disposable personal income) continued its downtrend, decreasing to zero from 0.2 percent.

The acceleration in real GDP growth from 3.7 percent to 5.6 percent was more than accounted for by a sharp turnaround in motor vehicle output that at least partly reflected a recovery from a midsummer strike at a major manufacturer; excluding motor vehicles, real GDP increased 3.5 percent after increasing 4.2 percent. Partly reflecting the strength in motor vehicles, exports and producers' durable equipment (PDE) turned up, and personal consumption expenditures (PCE) for durable goods accelerated. The acceleration in GDP was moderated by a step-up in imports, a slowdown in PCE for services, and a downturn in inventory investment.

The largest contributors to the 5.6-percent fourth-quarter increase in real GDP were exports,

1. Quarterly estimates in the NIPA's are expressed at seasonally adjusted annual rates. Quarter-to-quarter dollar changes are the differences between the published estimates. Quarter-to-quarter percent changes are annualized and are calculated from unrounded data unless otherwise specified.

Real estimates are calculated using a chain-type Fisher formula with annual weights for all years and quarters except those in the most recent year, which are calculated using quarterly weights; real estimates are expressed both as index numbers (1992=100) and as chained (1992) dollars. Price indexes (1992=100) are also calculated using a chain-type Fisher formula.

Table 1.—Real Gross Domestic Product, Real Gross Domestic Purchases, and Real Final Sales to Domestic Purchasers
[Quarterly estimates seasonally adjusted at annual rates]

	Billions of chained (1992) dollars						Percent change from preceding period					
	Change from preceding period						1997	1998	1998			
	1997	1998	1998						I	II	III	IV
			I	II	III	IV						
Gross domestic product	275.0	280.1	100.1	33.9	67.9	103.5	3.9	3.9	5.5	1.8	3.7	5.6
Less: Exports of goods and services	110.0	14.2	-6.9	-19.8	-6.8	42.4	12.8	1.5	-2.8	-7.7	-2.8	18.8
Plus: Imports of goods and services	134.9	119.6	42.6	26.9	7.0	46.3	13.9	10.8	15.7	9.3	2.3	16.0
Equals: Gross domestic purchases	295.4	370.1	142.8	73.7	80.2	105.2	4.2	5.0	7.8	3.9	4.2	5.5
Less: Change in business inventories	33.2	-4.7	24.9	-53.2	17.5	-6.8	.....	.....	.....	.....	.....	.....
Nonfarm	35.6	-7.7	23.2	-56.0	17.1	-5.3	.....	.....	.....	.....	.....	.....
Farm	-2.8	3.4	1.6	3.4	.4	-1.3	.....	.....	.....	.....	.....	.....
Equals: Final sales to domestic purchasers	262.2	374.6	120.1	124.2	63.4	111.0	3.7	5.1	6.6	6.7	3.3	5.9
Personal consumption expenditures	161.1	237.7	74.1	75.1	51.6	56.0	3.4	4.8	6.1	6.1	4.1	4.4
Durable goods	42.5	67.3	25.5	19.1	4.3	36.4	6.8	10.1	15.8	11.2	2.4	21.4
Nondurable goods	35.4	56.8	26.9	19.7	8.2	12.3	2.4	3.8	7.4	5.3	2.1	3.2
Services	84.8	117.9	24.5	37.5	38.0	12.0	3.2	4.3	3.5	5.4	5.4	1.7
Gross private domestic fixed investment	87.4	130.9	55.4	39.2	6.8	44.7	8.3	11.5	20.4	13.4	2.2	14.8
Nonresidential fixed investment	82.8	102.4	45.7	28.5	-1.7	37.8	10.7	11.9	22.2	12.8	-7	16.7
Structures	13.5	-2	-2.6	-1.2	.1	2.8	7.1	-1	-4.9	-2.3	.2	5.5
Producers' durable equipment	71.1	110.7	52.4	32.5	-2.0	37.5	12.1	16.7	34.3	18.8	-1.0	21.0
Residential investment	6.9	29.3	10.6	10.6	7.4	7.7	2.5	10.4	15.6	15.0	9.9	10.1
Government consumption expenditures and gross investment	16.8	12.5	-6.2	11.8	4.8	13.1	1.3	1.0	-1.9	3.7	1.5	4.1
Federal	-7.6	-4.5	-10.4	8.0	-1.6	8.7	-1.6	-1.0	-8.8	7.3	-1.4	7.9
National defense	-10.2	-8.5	-15.4	7.0	3.2	1.0	-3.2	-2.7	-18.5	9.9	4.3	1.2
Nondefense	2.4	3.7	4.6	1.0	-4.5	7.5	1.7	2.5	13.1	2.6	-11.5	21.8
State and local	24.4	17.2	4.2	3.8	6.4	4.4	3.1	2.1	2.1	1.8	3.1	2.1
Addendum: Final sales of domestic product	242.1	284.6	77.7	83.9	51.2	109.3	3.5	4.0	4.3	4.6	2.8	6.0

NOTE.—Chained (1992) dollar series are calculated as the product of the chain-type quantity index and the 1992 current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates usually are not additive. Chained (1992) dollar levels and residuals,

which measure the extent of nonadditivity in each table, are in NIPA tables 1.2, 1.4, and 1.6. Percent changes are calculated from unrounded data. Percent changes in major aggregates are in NIPA table 8.1.

PCE for durable goods, and PDE (table 2).² PCE for durable goods increased 21.4 percent and contributed 1.68 percentage points to GDP growth; purchases of motor vehicles and parts increased sharply. Exports increased 18.8 percent and con-

tributed 1.94 percentage points; most categories of goods contributed to the increase, as did services. PDE increased 21.0 percent and contributed 1.57 percentage points; transportation equipment and information processing equipment both increased sharply. Most other final sales components also contributed to the increase. The increase was damped by an increase in imports, mainly capital goods and autos, and by a decrease in inventory investment, as the pace of inventory accumulation slowed; in-

2. The growth rate of GDP in the third and fourth quarters was not affected by the privatization in late July of the United States Enrichment Corporation (USEC) by the Federal Government, but the composition of GDP was affected. In the third quarter, government spending was reduced and private investment increased by \$6.4 billion. As a result, the third-quarter change in government spending was reduced, and the fourth-quarter change was increased; the sale had the opposite effect on gross private domestic investment.

Fourth-Quarter 1998 Advance GDP Estimate: Source Data and Assumptions

The "advance" GDP estimate for the fourth quarter is based on preliminary and incomplete source data; as more and better data become available, the estimate will be revised. The advance estimate is based on the following major source data. (The number of months for which data were available is shown in parentheses.)

Personal consumption expenditures: Sales of retail stores (3) and unit auto and truck sales (3);

Nonresidential fixed investment: Unit auto and truck sales (3), construction put in place (2), manufacturers' shipments of machinery and equipment other than aircraft (3), aircraft shipments (2), and exports and imports of machinery and equipment (2);

Residential investment: Construction put in place (2) and single-family housing starts (3);

Change in business inventories: Manufacturing and trade inventories (2) and unit auto and truck inventories (3);

Net exports of goods and services: Exports and imports of goods and services (2);

Government consumption expenditures and gross investment: Department of Defense outlays (3), other Federal outlays (3), State and local construction put in place (2), and State and local employment (3);

GDP prices: Consumer Price Index (3), Producer Price Index (3), U.S. Import and Export Price Indexes (3), and values and quantities of petroleum imports (2).

BEA made assumptions for source data that were not available. Table A shows the assumptions for key series; a more comprehensive listing of assumptions is available on the Department of Commerce's Economic Bulletin Board or from BEA.

Table A.—Summary of Major Data Assumptions for Advance Estimates, 1998:IV

[Billions of dollars, seasonally adjusted at annual rates]

	1998					
	July	August	September	October	November	December ¹
Fixed investment:						
Nonresidential structures:						
Buildings, utilities, and farm:						
Value of new nonresidential construction put in place	169.4	172.2	172.3	174.7	174.6	175.3
Producers' durable equipment:						
Manufacturers' shipments of complete civilian aircraft	52.4	41.9	44.1	67.2	60.2	55.1
Residential structures:						
Value of new residential construction put in place:						
1-unit structures	188.9	190.0	191.8	193.6	197.1	203.2
2-or-more-unit structures	23.8	23.2	24.8	25.4	25.3	25.1
Change in business inventories nonfarm:						
Change in inventories for manufacturing and trade (except nonmerchant wholesalers) for industries other than motor vehicles and equipment in trade	20.4	41.7	39.2	12.2	43.4	-20.3
Net exports: ²						
Exports of goods:						
U.S. exports of goods, balance-of-payments basis	645.9	646.3	672.1	700.1	682.0	676.2
Excluding nonmonetary gold	643.2	639.8	665.7	690.2	674.1	673.2
Imports of goods:						
U.S. imports of goods, balance-of-payments basis	898.3	919.2	921.7	942.1	944.6	948.0
Excluding nonmonetary gold	893.1	910.0	914.0	934.0	937.4	943.6
Net exports of goods (exports less imports)	-252.4	-272.9	-249.6	-242.0	-262.6	-271.8
Excluding nonmonetary gold	-249.9	-270.2	-248.3	-243.8	-263.3	-270.4
Government consumption expenditures and gross investment:						
State and local:						
Structures:						
Value of new construction put in place	131.7	132.0	134.5	131.2	133.3	134.4

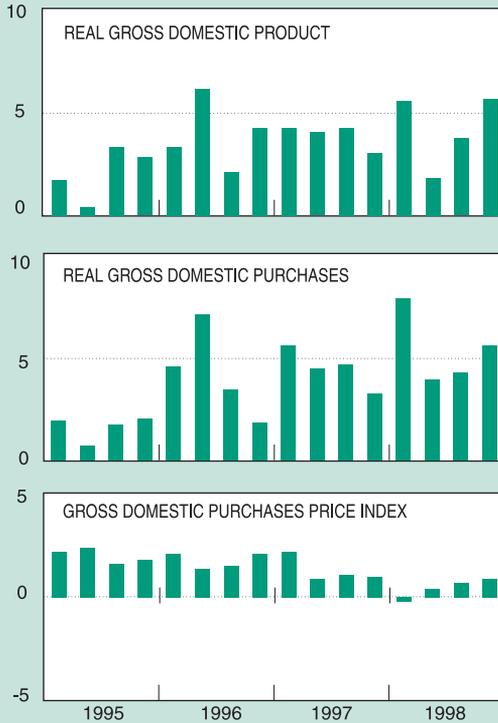
1. Assumed.

2. Nonmonetary gold is included in balance-of-payments-basis exports and imports but is not used directly in the estimation of NIPA exports and imports.

CHART 1

**Selected Measures:
Change From Preceding Quarter**

Percent



Note—Percent change at annual rate from preceding quarter; based on seasonally adjusted estimates.

U.S. Department of Commerce, Bureau of Economic Analysis

vestment in motor vehicle inventories swung from liquidation to accumulation, but accumulation of non-motor-vehicle inventories dropped substantially.

Table 2.—Contributions to Percent Change in Real Gross Domestic Product

[Quarterly estimates seasonally adjusted at annual rates]

	1997	1998	1998			
			I	II	III	IV
Percent change:						
Gross domestic product	3.9	3.9	5.5	1.8	3.7	5.6
Percentage points:						
Personal consumption expenditures	2.31	3.30	4.09	4.09	2.78	3.03
Durable goods .....	.56	.80	1.23	.91	.20	1.68
Nondurable goods .....	.49	.76	1.41	1.01	.42	.64
Services	1.26	1.74	1.40	2.14	2.15	.71
Gross private domestic investment ...	1.65	1.54	4.07	-.75	1.22	1.86
Fixed investment	1.18	1.59	2.82	1.95	.33	2.17
Nonresidential	1.08	1.17	2.21	1.35	-.08	1.73
Structures .....	.20	0	-.15	-.07	.01	.16
Producers' durable equipment .....	.88	1.17	2.36	1.42	-.09	1.57
Residential .....	.10	.43	.60	.60	.41	.44
Change in business inventories ...	.47	-.06	1.22	-2.66	.89	-.31
Net exports of goods and services ...	-.27	-1.17	-2.24	-2.08	-.62	-.03
Exports	1.43	.18	-.33	-.92	-.32	1.94
Goods	1.21	.19	-.29	-.98	-.04	1.66
Services .....	.22	-.01	-.04	.06	-.36	.27
Imports	-1.71	-1.35	-1.94	-1.18	-.30	-1.96
Goods	-1.51	-1.23	-1.75	-1.19	-.32	-1.87
Services	-.20	-.12	-.19	.01	.01	-.09
Government consumption expenditures and gross investment .....	.24	.19	-.34	.64	.27	.72
Federal	-.11	-.06	-.57	.44	-.09	.47
National defense	-.15	-.10	-.84	.38	-.17	.05
Nondefense .....	.04	.04	.26	.06	-.26	.42
State and local .....	.35	.24	.24	.20	.35	.25

NOTE.—NIPA table 8.2 also shows contributions for 1997:III and 1997:IV.

Table 3.—Motor Vehicle Output, Sales, and Inventories

[Seasonally adjusted at annual rates]

	Billions of chained (1992) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1998			
	1998	1998				I	II	III	IV
		IV	I	II	III					IV
Output	293.4	-6.2	-7.8	-7.7	40.4	-8.6	-11.2	-11.2	80.7
Autos	120.7	-5.7	-9.7	4.5	9.3	-17.5	-29.2	17.8	37.9
Trucks	172.1	-4	1.8	-12.1	30.9	-1.0	4.8	-27.9	120.6
Less: Exports	24.9	-.1	-.9	-4.6	3.4	-2.3	-12.2	-54.0	80.3
Autos	16.8	.1	-.8	-1.6	3.5	.6	-17.0	-37.9	159.3
Trucks	8.1	-.2	-.1	-2.9	-.2	-6.2	-5.2	-70.3	-7.0
Plus: Imports	93.2	6.4	-1.1	-1.9	12.1	37.5	-4.9	-9.2	74.5
Autos	78.4	6.1	.8	-2.7	10.4	44.7	4.8	-14.6	77.1
Trucks	14.7	.3	-1.9	.7	1.7	7.5	-43.3	27.0	61.4
Equals: Gross domestic purchases	361.6	.5	-8.1	-5.2	49.1	.6	-9.5	-6.4	79.1
Autos	182.3	.4	-8.1	3.3	16.3	1.0	-17.7	8.4	45.4
Trucks	178.8	.1	0	-8.4	32.6	.1	.1	-20.2	124.0
Less: Change in business inventories	8.3	-7.7	-25.2	13.4	17.5	.....	.....	.....	.....
Autos	3.3	-4.3	-12.2	9.3	6.3	.....	.....	.....	.....
Trucks	4.9	-3.4	-12.7	4.2	10.9	.....	.....	.....	.....
Equals: Final sales to domestic purchasers	353.3	8.2	17.1	-18.6	31.7	10.8	22.9	-20.2	45.7
Autos	179.0	4.6	3.8	-5.9	10.2	11.5	9.2	-12.7	26.4
Trucks	173.9	3.5	13.3	-12.8	21.5	10.0	39.7	-27.5	69.3
Addenda:									
Personal consumption expenditures	212.7	3.6	9.1	-5.8	19.5	7.9	20.5	-11.2	47.2
Producers' durable equipment	130.4	5.4	6.3	-11.3	9.5	19.1	21.3	-29.9	35.3
Gross government investment	11.2	-.7	1.9	-2.0	2.7	-24.4	121.8	-56.8	191.1

NOTE.—See note to table 1 for an explanation of chained (1992) dollars. Truck output includes new trucks only; auto output includes new cars and used cars. Chained (1992) dollar levels for motor vehicle output, auto and truck output, and residuals, which measure the extent of nonadditivity in each table, are in NIPA tables 1.4, 8.5, and 8.7.

Motor vehicles.—The sharp increase in motor vehicle output in the fourth quarter partly reflected a rebound from a strike at a motor vehicle manufacturer from June 5 to July 29. Truck output accounted for most of the increase (table 3).

Final sales of motor vehicles to domestic purchasers increased 45.7 percent after decreasing 20.2 percent. Both autos and trucks contributed to the upswing. Purchases by consumers, businesses, and governments all turned up.

Consumer purchases turned up even though the factors frequently considered in analyses of consumer spending did not improve dramatically from the third quarter. Real disposable personal income increased 3.6 percent after increasing 3.2 percent. The Index of Consumer Sentiment (prepared by the University of Michigan Survey Research Center) decreased but remained high. The unemployment rate decreased from 4.5 percent to 4.4 percent. Among factors specific to motor vehicle purchases, the strike in the industry may have held down purchases in the third quarter and boosted them in the fourth. Interest rates on new-car loans at commercial banks changed little.

Imports and exports of motor vehicles also turned up, largely reflecting autos.

Motor vehicle inventory investment increased more than in the third quarter; the fourth-quarter increase reflected a swing from liquidation to accumulation in both auto and truck inventories. For new domestic autos, the inventory-sales ratio (calculated from units data) decreased to 2.0 at the end of the fourth quarter

from 2.1 at the end of the third; the traditional industry target is 2.4.

Prices

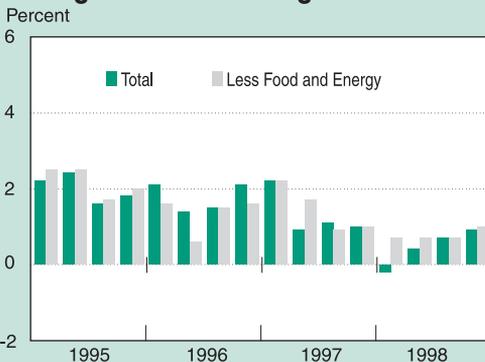
The price index for gross domestic purchases, which measures the prices paid for goods and services purchased by U.S. residents, increased 0.9 percent in the fourth quarter after increasing 0.7 percent in the third (chart 2 and table 4). Prices of gross domestic purchases less food and energy increased 1.0 percent after increasing 0.7 percent.

Prices of PCE increased 1.2 percent after increasing 1.0 percent. Food prices increased less than in the third quarter, as prices of poultry and of fats and oils decelerated and as prices of beef and veal turned down. Energy prices decreased less than in the third quarter, reflecting smaller decreases in the prices of gasoline and oil, of fuel oil and coal, and of electricity and gas. Prices of PCE excluding food and energy increased about the same in both quarters.

Prices of nonresidential fixed investment decreased 2.3 percent after decreasing 3.6 percent. PDE prices decreased less than in the third quarter, reflecting smaller decreases in the prices of

CHART 2

Gross Domestic Purchases Prices: Change From Preceding Quarter



Note—Percent change at annual rate from preceding quarter; based on seasonally adjusted index numbers (1992=100).

U.S. Department of Commerce, Bureau of Economic Analysis

Table 4.—Price Indexes

[Percent change at annual rates; quarterly estimates based on seasonally adjusted index numbers (1992=100)]

	1997	1998	1998			
			I	II	III	IV
Gross domestic product	1.9	1.0	0.9	0.9	1.0	0.8
Less: Exports of goods and services	-2.0	-2.1	-3.4	-1.8	-2.8	-9
Plus: Imports of goods and services	-3.7	-5.3	-10.4	-4.5	-4.8	-2
Equals: Gross domestic purchases	1.6	.6	-.2	.4	.7	.9
Less: Change in business inventories						
Equals: Final sales to domestic purchasers	1.6	.6	-.1	.5	.7	.9
Personal consumption expenditures	1.9	.8	0	.9	1.0	1.2
Food	2.4	1.7	1.1	1.3	2.8	2.0
Energy	1.1	-8.0	-20.2	-7.5	-5.8	-3.1
Personal consumption expenditures less food and energy	1.8	1.2	1.1	1.3	1.1	1.2
Private nonresidential fixed investment	-1.3	-2.4	-3.0	-3.1	-3.6	-2.3
Structures	3.4	2.8	2.7	3.1	1.2	1.6
Producers' durable equipment	-3.0	-4.3	-5.0	-5.2	-5.3	-3.6
Private residential investment	2.6	2.1	0	1.7	3.7	3.2
Government consumption expenditures and gross investment	2.2	1.3	1.1	.8	1.5	1.4
Federal	2.0	1.1	2.7	0	.4	1.3
National defense	1.8	1.1	2.9	.3	.4	1.4
Nondefense	2.4	1.0	2.2	-.6	-.5	1.0
State and local	2.2	1.4	.2	1.2	2.1	1.5
Addendum:						
Gross domestic purchases less food and energy	1.6	.9	.7	.7	.7	1.0

NOTE.—Percent changes in major aggregates are in NIPA table 8.1. Index number levels are in tables 7.1, 7.2, and 7.4.

computers and peripheral equipment and larger increases in the prices of "other" PDE and of industrial equipment. Prices of nonresidential structures increased more than in the third quarter, and prices of residential investment, less.

Prices of government consumption expenditures and gross investment increased 1.4 percent after increasing 1.5 percent. Prices paid by State and local governments slowed; prices paid by the Federal Government picked up, reflecting step-ups in both national defense and nondefense prices.

The GDP price index, which measures the prices paid for goods and services produced in the United States, increased 0.8 percent after increasing 1.0 percent. This index, unlike the price index for gross domestic purchases, includes the prices of exports and excludes the prices of imports. Export prices decreased 0.9 percent after decreasing 2.8 percent; prices of nonautomotive capital

goods and of industrial supplies and materials decreased less than in the third quarter. Import prices decreased 0.2 percent after decreasing 4.8 percent; prices of petroleum products and of nonautomotive capital goods decreased less than in the third quarter.

Personal income

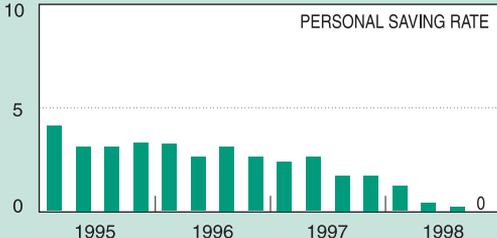
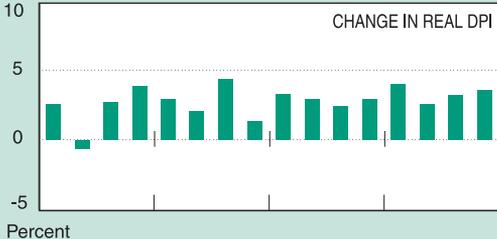
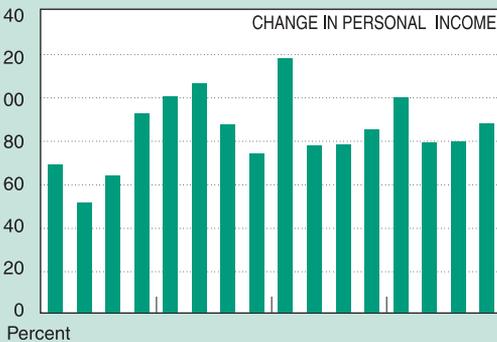
Real disposable personal income (DPI) increased 3.6 percent in the fourth quarter after increasing 3.2 percent in the third (chart 3). Current-dollar DPI increased 4.8 percent after increasing 4.3 percent. The personal saving rate (saving as a percentage of current-dollar DPI) decreased to zero from 0.2 percent, as personal outlays increased more than DPI. The fourth-quarter rate was the lowest since the quarterly series began in the first quarter of 1946. (The saving rate is discussed in the "Note on the Personal Saving Rate" beginning on page 8.)

Personal income increased \$87.1 billion after increasing \$78.9 billion (table 5). In each quarter,

CHART 3

Selected Personal Income and Saving Measures

Billions \$



Note—Changes are from preceding quarter, based on seasonally adjusted annual rates

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Table 5.—Personal Income and Its Disposition

(Billions of dollars; quarterly estimates seasonally adjusted at annual rates)

	Level		Change from preceding period					
	1998	1998	1997	1998	1998			
		IV			I	II	III	IV
Wage and salary disbursements	4,149.2	4,240.0	258.7	259.4	72.0	55.7	59.5	62.9
Private industries	3,459.6	3,539.9	235.5	233.9	64.0	49.4	52.6	55.5
Goods-producing industries	1,026.9	1,037.3	66.0	51.9	15.3	4.2	4.8	9.3
Manufacturing	751.5	753.9	44.9	32.0	9.1	.4	.1	3.0
Distributive industries	938.5	957.1	56.5	58.7	14.4	13.3	13.6	11.3
Service industries	1,494.3	1,545.5	112.9	123.5	34.3	31.9	34.2	34.9
Government	689.5	700.1	23.3	25.3	8.1	6.3	6.9	7.4
Other labor income	406.9	411.0	5.9	14.0	5.8	2.9	2.7	2.6
Proprietors' income with IVA and CCAAdj	575.5	590.0	23.5	24.3	6.2	7.5	4.4	13.9
Farm	27.1	28.3	-3.4	-8.4	-4.0	.3	-2.5	3.1
Nonfarm	548.4	561.7	27.0	32.6	10.2	7.2	6.9	10.8
Rental income of persons with CCAAdj	162.0	165.0	8.0	3.8	-5	2.7	2.6	1.4
Personal dividend income	263.1	265.7	12.1	2.8	.3	.5	.9	2.7
Personal interest income	764.9	770.2	27.9	17.6	4.0	6.0	6.2	1.0
Transfer payments to persons	1,149.5	1,160.2	42.4	39.1	18.5	6.8	7.1	7.3
Less: Personal contributions for social insurance	347.4	354.2	19.9	21.2	7.3	4.2	4.4	4.7
Personal income	7,123.6	7,247.9	358.8	339.6	99.0	78.0	78.9	87.1
Less: Personal tax and nontax payments	1,098.1	1,124.3	98.5	109.1	41.3	26.1	15.5	15.9
Equals: Disposable personal income	6,025.5	6,123.6	260.4	230.4	57.7	51.8	63.5	71.2
Less: Personal outlays	5,998.1	6,125.4	297.9	324.0	82.8	99.3	76.5	85.6
Equals: Personal saving	27.4	-1.8	-37.5	-93.6	-25.2	-47.4	-13.0	-14.4
Addenda: Special factors in personal income:								
In wages and salaries:								
Strike in motor vehicle industry		0			0	-1.2	-1.3	2.5
In farm proprietors' income:								
Subsidies		3.7			0	0	0	3.7
In transfer payments to persons:								
Social security retroactive payments		1.2			-1.1	0	0	1.2
Cost-of-living adjustments in Federal transfer programs		10.2			9.8	0	0	.4

NOTE.—Most dollar levels are in NIPA table 2.1.
IVA Inventory valuation adjustment
CCAAdj Capital consumption adjustment

about three-fourths of the increase was accounted for by wage and salary disbursements, which increased \$62.9 billion after increasing \$59.5 billion. Private wages and salaries increased \$55.5 billion after increasing \$52.6 billion; service industries accounted for about two-thirds of the increase in each quarter. Government wages and salaries increased \$7.4 billion after increasing \$6.9 billion.

Proprietors' income increased \$13.9 billion after increasing \$4.4 billion. Farm proprietors' income increased after decreasing. Most of the upturn was accounted for by an acceleration in subsidy payments; the acceleration largely reflected payments that were authorized by the Federal 1998 Omnibus Budget Resolution to farmers who were already participating in the Federal farm program. The remainder of the upturn in farm proprietors' income was accounted for by upturns in the prices of both crops and livestock. Nonfarm proprietors' income increased more than in the third quarter; most of the acceleration reflected an upturn in retail trade.

Personal interest income increased \$1.0 billion after increasing \$6.2 billion. The slowdown reflected a decline in interest rates.

Most other components of personal income increased about as much as in the third quarter.

Personal tax and nontax payments increased \$15.9 billion, about the same as in the third quarter.

The Year 1998

In 1998, the U.S. economy experienced strong growth in production and income and very

little inflation. Real GDP increased 3.9 percent, the same as in 1997 and higher than any other year since 1984. Real DPI increased 3.1 percent—the biggest increase since 1988—after increasing 2.8 percent. The price index for gross domestic purchases increased 0.6 percent—the smallest increase since 1949—after increasing 1.6 percent.

The growth in real GDP in 1998 was more than accounted for by PCE and by nonresidential fixed investment. PCE increased 4.8 percent and contributed 3.30 percentage points to real GDP growth; about half of the PCE increase was in services. Nonresidential fixed investment increased 11.9 percent and contributed 1.17 percentage points to real GDP growth; PDE more than accounted for the increase. In contrast, a 10.8-percent increase in imports contributed a negative 1.35 percentage points.

The growth in real DPI reflected a sizable increase in current-dollar DPI and a small increase in consumer prices. The increase in current-dollar DPI was more than accounted for by wage and salary disbursements, which increased \$259.4 billion. The personal saving rate decreased to 0.5 percent from 2.1 percent.

The small increase in the price index for gross domestic purchases reflected a decrease in PDE prices and a small increase in PCE prices. The decrease in PDE prices was largely accounted for by a drop in the prices of computers and peripheral equipment; the increase in PCE prices was constrained by decreases in durable goods prices and in energy prices. 

Upcoming Comprehensive Revision of the National Income and Product Accounts

Beginning on October 28, 1999, the Bureau of Economic Analysis (BEA) plans to release the results of its 11th comprehensive, or benchmark, revision of the national income and product accounts (NIPAs).¹ The annual revision of the NIPAs that would normally take place this summer will instead be combined with the upcoming comprehensive revision.

Comprehensive revisions, which are usually prepared at least once every 5 years, incorporate three major types of improvements: (1) Definitional and classificational changes that update the accounts to more accurately portray the evolving U.S. economy, (2) statistical changes that update the accounts to reflect the introduction of new and improved methodologies and the incorporation of newly available and revised source data, and (3) presentational changes that update the NIPA tables to reflect the aforementioned changes and to make the tables more informative.

Comprehensive revisions, and to a lesser extent annual revisions, provide the opportunity to introduce the major changes that are outlined in BEA's strategic plan for maintaining and improving its economic accounts. BEA periodically updates its strategic plan,

which is available on our Web site at <www.bea.doc.gov>; click on "BEA's mission."

For the upcoming comprehensive revision, BEA is considering several major improvements—including the capitalization of investments in computer software, the treatment of government retirement plans symmetrically with private plans, and the integration of BEA's wealth estimates with the NIPA estimates. However, constraints on time, resources, and source data will play a role in deciding which improvements will be implemented.

During the year, BEA will provide additional information on the comprehensive revision in articles in the SURVEY OF CURRENT BUSINESS that preview the proposed changes and will solicit input through discussions at group meetings of experts.

If you have comments or suggestions on BEA's strategic plan or on the upcoming comprehensive revision, please contact

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1. In the spring of 2000, the regional estimates of personal income will be revised to reflect the results of the NIPA revision; for more information, see the box "Upcoming Comprehensive Revision of State and Local Area Personal Income" on page 16.